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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Crown Meridian Bank
Janet Carter

Respondents

SDO - 18 - 01

SUMMARY ORDER TO CEASE AND DESIST

Case No. 01-02-254

9 THE STATE OF WASHINGTON TO: Crown Meridian Bank

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STATEMENT OF CHARGES

12 Please take notice that the Securities Administrator of the State of Washington has reason to believe that
13 Respondents have each violated the Securities Act of Washington and that their violations justify the entry of an order
14 of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities
15 Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be
16 hazardous to investors and to the public and that a Summary Order to Cease and Desist should be entered immediately.
17 The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

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I. RESPONDENTS

21 A. Crown Meridian Bank ("Crown Meridian") is an offshore business entity which purports to be an
22 international investment bank. Its principal place of business is located at 13 Church Street in St. George's,
23 Grenada.

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25 SUMMARY ORDER TO CEASE AND DESIST

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1 B. Janet Carter represents herself as be the General Manager of Crown Meridian Bank. On behalf of
2 Crown Meridian, Carter solicits investor funds, creates investment accounts, and corresponds with investors
3 regarding their respective investments.

4 II. NATURE OF THE OFFERING

5 A. On or about September 1999, Crown Meridian advertised and promoted the sale of its investment
6 products on the Internet. These products were variously described as "Certificates of Deposit" and four different
7 types were available for purchase by investors.

8 B. Crown Meridian represented that its Certificates paid the highest possible interest rates and that they
9 were extremely safe investments. The returns promised to investors ranged from 36% - 90% depending upon the
10 maturity and style of the Certificate selected. Crown Meridian told investors that their funds would be insured
11 against loss by the International Deposit Indemnity Corporation ("IDIC") which supposedly supervised Crown
12 Meridian's activities and would fully indemnify investors against the loss of their principal and interest in the event
13 of any problems. Neither Crown Meridian nor IDIC provided details of how the insurance coverage or
14 indemnification mechanism operated to protect investors.

15 C. At least one Washington investor responded to Crown Meridian's internet solicitation. Janet Carter
16 replied to the investor's inquiry by mailing him promotional materials and an application form. These materials
17 contained additional information about the certificates and instructed the investor to wire transfer a minimum of
18 \$10,000 to a New York bank. According to the instructions, the investor's money would then be sent to an
19 unspecified party in St. Vincent for final delivery to Carter. The investor complied with these instructions and
20 made an investment of \$10,000.

21 D. Carter acknowledged receipt of the investor's money and indicated that an investment account had
22 been created for him. The investor later received official-looking documents stating that he would be paid interest
23 at a rate of 6.4% *per month* on his investment funds.

1 E. Approximately five months after sending his money, the Washington investor was informed that
2 Crown Meridian had been defrauded by one or more of its business partners and that it would be unable to make
3 interest payments for an indefinite period of time. Since that time, the Washington investor has not received the
4 agreed upon payments nor has Crown Meridian or IDIC provided any form of insurance or indemnification of his
5 investment.

6 F. Carter and Crown Meridian failed to provide investors with important information prior to selling
7 their investment certificates. Specifically, they failed to identify the company's key officers, did not provide
8 audited financial statements or similar documents disclosing the company's financial condition, and gave no
9 account of the company's operating history.

10 G. Carter and Crown Meridian mislead investors about the safety of their respective investments. They
11 represented that investor funds would be insured and that investors would be fully indemnified against the loss of
12 their principal and interest by IDIC. Respondents further suggested that investors would be protected in the same
13 manner as depositors at United States banks. However, they failed to disclose that Crown Meridian is not a
14 chartered financial institution in the United States and is therefore not subject to rules and regulations applicable to
15 United States banks.

16 H. Respondents failed to inform investors that government agencies in the United States and Canada
17 have identified numerous fraudulent investment schemes based in the West Indies involving instruments similar to
18 Crown Meridian's certificates. Respondents also failed to disclose that Crown Meridian itself and some of its
19 business partners may have been subjects of these investigations.

20 III. REGISTRATION STATUS

21 A. Crown Meridian Bank is not currently registered to sell its securities in the state of Washington and
22 has not previously been so registered.

1 B. Janet Carter is not currently registered as a securities salesperson or broker-dealer in the state of
2 Washington and has not previously been so registered.

3 VI. EMERGENCY

4 The Securities Administrator finds that the continued offering of Crown Meridian investment certificates
5 in the manner described above presents a threat to the investing public.

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7 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

8 CONCLUSIONS OF LAW

9 I.

10 The offer and/or sale of the investment certificates described above constitutes the offer and/or sale of a
11 security as defined in RCW 21.20.005(12).

12 II.

13 The offer and/or sale of the Crown Meridian investments is in violation of RCW 21.20.140 because no
14 registration is on file with the Administrator of Securities, state of Washington.

15 III.

16 Janet Carter has violated RCW 21.20.040 by offering and/or selling said securities while not registered as a
17 securities salesperson or broker-dealer in the state of Washington.

18 IV.

19 The offer and/or sale of the Crown Meridian investment certificates was made in violation of RCW
20 21.20.010 because, as described above, Respondents failed to disclose material information necessary in order to
21 make their statements, in light of the circumstances in which they were made, not misleading.

22 V.

23 The Securities Administrator finds that an emergency exists, that continued violations of RCW
24 21.20.010, RCW 21.20.040, and RCW 21.20.140 constitute a threat to the investing public, and that summary

1 orders to cease and desist from these violations are in the public interest and necessary for the protection of
2 investors.

3 **SUMMARY ORDER**

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5 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED
6 Respondents, their agents, and employees cease and desist from offering and/or selling securities in any manner
7 in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

8 It is further SUMMARILY ORDERED that respondents, their agents, and employees cease and desist
9 from violation of RCW 21.20.040, the section of the Securities Act requiring registration of broker-dealers,
10 securities salespersons, and investment advisors.

11 It is further SUMMARILY ORDERED that respondents, their agents, and employees cease and desist
12 from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

13 **AUTHORITY AND PROCEDURE**

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15 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of
16 Chapter 34.05 RCW. Respondents may each make a written request for a hearing as set forth in the NOTICE
17 OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

18 If a respondent does not request a hearing, the Securities Administrator intends to adopt the above
19 Tentative Findings of Fact and Conclusions of Law as final and make this Summary Order to Cease and Desist
20 permanent as to that respondent.

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1 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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4 DATED this 4th day of April, 2001.

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9 DEBORAH R. BORTNER
10 Securities Administrator

11 Presented by:

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15 _____
16 Steven Raney
17 Securities Examiner

18 Approved by:

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20 _____
21 Michael E. Stevenson
22 Chief of Compliance